

MEMORANDUM

TO: Audit Committee
Jon Strinden
Weldee Baetsch

FROM: Jamie Kinsella, Internal Auditor

DATE: August 25, 2004

SUBJECT: **February 12, 2004 Audit Committee Meeting**

In Attendance:
Jon Strinden via conference call
Weldee Baetsch
Jamie Kinsella
Sharon Schiermeister
Shelly Stuber

The meeting was called to order at 3:05 p.m.

I. November 18, 2003 Audit Committee Minutes

The audit committee minutes were examined and approved by the Audit Committee.

II. Goals and Objectives Project Update

The updated goals and objectives report on the activities that occurred during the last quarter in the internal audit division was included with the audit committee materials. Chairman Strinden inquired whether Ms. Kinsella had any concerns regarding audits that are not getting done but should be addressed. Ms. Kinsella explained that she is behind with getting the FYE June 30, 2003 workpapers completed, which would be helpful to have done to use in training Ms. Stuber, and would like to start on the BCBS interest calculation report audit for the past biennium. This audit is different from Mr. Reinhardt's claims audit, as it is financial related. Ms. Kinsella conveyed she anticipated getting the FYE 2003 workpapers done by the end of February and plans to start BCBS after that.

III. Administrative

- A Quarterly Audit Finding Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the audit committee the status of the audit findings of the external auditors, as well as any found by the internal auditor. A copy of the report was included with the audit committee materials. Ms. Kinsella indicated progress was made in 3 areas. Ms. Schiermeister completed updating the employee exit

checklist to ensure removal from IT access upon termination. Ms. Knudsen has been training on new software to facilitate her business recovery plan project. Ms. Kinsella conveyed she has been using the ACL software to put together reports on disability recipients for Ms. Dschaak.

- B. Internal Auditor I – Ms. Kinsella introduced the new internal auditor in the Internal Audit Division. Ms. Shelly Stuber accepted the position in December and began employment on January 20, 2004.
- C. Position Reclassification – Ms. Kinsella indicated that her updated Position Information Questionnaire (PIQ) will be forwarded to Kathy Allen, PERS Human Resource Manager, to forward to Human Resource Management Services for their review. Ms. Kinsella conveyed she would update the audit committee when more information becomes available.
- D. Performance Evaluation – Mr. Collins will be contacting the audit committee between now and the May audit committee meeting to discuss Ms. Kinsella's performance evaluation.
- E. Internal Audit Annual Report for the Year Ending December 31, 2003 – Included with the audit committee materials was the Internal Audit Annual Report for the year ended December 31, 2003. The report was approved. Discussion followed regarding whether this document is formally filed with the State Auditor's Office, or it is an internal document. At this time it is internal but that may change in the future.
- F. Internal Audit Plan for Year 2004 – The audit committee approved the 2004 Internal Audit Plan at the last audit committee meeting. However, when Ms. Kinsella received the plan after Mr. Strinden signed it, Ms. Kinsella realized there had been an error in the date. The plan was to be for the calendar year 2004. Ms. Kinsella also updated the projected hours since the Internal Auditor position was filled. The organization chart has also been updated. Ms. Kinsella will be sending a corrected copy of the front page for Mr. Strinden's signature.
- G. Audit Committee Checklist Project – At the last meeting Eide Bailly LLP provided the audit committee a copy of an Audit Committee Checklist. Included with the audit committee materials was a copy of the working document for the audit committee checklist project. This project is in progress. Ms. Kinsella conveyed she will report the outcome of the project and any recommendations at the May audit committee meeting.
- H. Audit Committee Charter Revision Project - One of the goals listed in the Internal Audit Plan is to assist the Audit Committee in reviewing and updated the Audit Committee Charter. Included with the audit committee materials was a copy of the working document for reviewing the audit committee charter. This project will be completed by May, at which time Ms. Kinsella will report to the audit committee the outcome and any recommendations, if any. Discussion followed. There was concern expressed over the outcome of the evaluations of the Checklist and Charter. Documentation will include why a change was or was not implemented.

IV. Miscellaneous

- A. May 2004 Audit Committee Meeting Date and Time – The May 2004 audit committee meeting is scheduled for Wednesday, May 12, 2004 at 10:30am in the NDPERS Conference room, Wells Fargo Bank Building.

- B. Audit Committee Web Page – During the discussion at the last audit committee meeting, it was decided to include the Audit Committee Charter, the Internal Audit Charter, the meetings scheduled, and the minutes from the past meeting on the NDPERS web site. The IT staff at NDPERS has included this information onto the NDPERS web site. The information can be found under “About NDPERS”. In the future the minutes will be posted to the web site after the audit committee has approved them.

The meeting adjourned at 3:50 p.m.

MEMORANDUM

TO: Audit Committee
Jon Strinden
Weldee Baetsch

FROM: Jamie Kinsella, Internal Auditor

DATE: August 25, 2004

SUBJECT: **May 12, 2004 Audit Committee Meeting**

In Attendance:
Jon Strinden via conference call
Weldee Baetsch
Jamie Kinsella
Sharon Schiermeister
Shelly Stuber

The meeting was called to order at 10:33 a.m.

I. February 12, 2004 Audit Committee Minutes

The audit committee minutes were examined and approved by the Audit Committee.

II. Goals and Objectives Project Update

The updated goals and objectives report on the activities that occurred during the last quarter in the internal audit division was included with the audit committee materials.

III. Administrative

- A. Quarterly Audit Finding Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the audit committee the status of the audit findings of the external auditors, as well as any found by the internal auditor. A copy of the report was included with the audit committee materials.
- B. Position Reclassification – Ms. Kinsella indicated that the updated Position Information Questionnaire (PIQ) was reviewed by Kathy Allen, PERS Human Resources Manager, and forwarded to Human Resource Management Services. The person conducting this review is out on medical leave for 3 weeks.
- C. Performance Evaluation – Mr. Collins forwarded the audit committee a memo regarding Ms. Kinsella's performance evaluation. This memo was to document that the audit committee

approved this evaluation and that the evaluation is on file at NDPERS.

- D. Audit Committee Checklist Project – At the last meeting Eide Bailly LLP provided the audit committee a copy of an Audit Committee Checklist. Ms. Kinsella included with the audit committee materials was a copy of the working document for the audit committee checklist project with the last meeting's agenda. To facilitate this project, Ms. Kinsella distributed an audit committee risk assessment questionnaire at the meeting. The audit committee should be conducting a self-evaluation periodically, and since there will be a change in the audit committee this summer it would be a good time to do a self assessment. Ms. Kinsella would like to have this evaluation completed and returned to her by June 15, 2004.
- E. Audit Committee Charter Revision Project – One of the goals listed in the Internal Audit Plan is to assist the Audit Committee in reviewing and updating the Audit Committee Charter. Ms. Kinsella attached a copy of the working document for reviewing the audit committee charter at the last meeting. In order to facilitate this project, Ms. Kinsella thought the audit committee should conduct a self assessment so she can determine what areas are important to the audit committee and therefore should be included in the charter.

IV. Miscellaneous

- A. August 2004 Audit Committee Meeting Date and Time – The August 2004 audit committee meeting is scheduled for Wednesday, August 11, 2004 at 10:30am in the NDPERS Conference room, Wells Fargo Bank Building.
- B. Tone at the Top – Included with the audit committee materials was a copy of the February 2004 Tone at the Top Publication.
- C. Continuing Education Update - Ms. Kinsella indicated that she and Ms. Stuber attended a seminar sponsored by the Central NoDak IIA Chapter on April 22-23, 2004. The topic of this seminar was operational auditing. This seminar provided each of them with 14 hours of continuing education credits.
- D. Eide Bailly Audit Schedule – Eide Bailly LLP scheduled their preliminary audit work for the week of June 14, 2004, and will return August 23 to conduct their fieldwork.

The meeting adjourned at 11:00 a.m.

MEMORANDUM

TO: Audit Committee
Jon Strinden
Ron Leingang

FROM: Jamie Kinsella, Internal Auditor

DATE: February 10, 2005

SUBJECT: **August 11, 2004 Audit Committee Meeting**

In Attendance:
Jon Strinden via conference call
Ron Leingang
Jamie Kinsella
Sharon Schiermeister
Shelly Stuber

The meeting was called to order at 10:35 a.m.

I. May 12, 2004 Audit Committee Minutes

The audit committee minutes were examined and approved by the Audit Committee.

II. Goals and Objectives Project Update

The updated goals and objectives report on the activities that occurred during the last quarter in the internal audit division was included with the audit committee materials.

III. Administrative

- A. Quarterly Audit Finding Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the audit committee the status of the audit findings of the external auditors, as well as any found by the internal auditor. A copy of the report was included with the audit committee materials.
- B. Position Reclassification – Ms. Kinsella provided an update on the Internal Auditor III Position Information Questionnaire (PIQ) reclassification. Ms. Kinsella conveyed that Human Resource Management Services had finished their initial review but it would also have to be reviewed another staff person. It was anticipated the reviews should be completed by August 13.
- C. Audit Committee Self Assessment Questionnaire Results – Included with the audit committee

materials were the results of the Audit Committee Self Assessment Questionnaire. The results of this summary will be used to work on the Audit Committee Checklist project and Audit Committee Charter project.

- D. Audit Committee Checklist Project – Ms. Kinsella indicated since the self-assessment questionnaire was completed, the Audit Committee Checklist was updated. Ms. Kinsella proposed working on some of the remaining questions to determine what would be the best recommendation for the audit committee and present the results at the November audit committee meeting. By general consensus, the audit committee approved discussing this at the November audit committee meeting.
- E. Audit Committee Charter Revision Project – One of the goals listed in the Internal Audit Plan is to assist the Audit Committee in reviewing and updating the Audit Committee Charter. A copy of the working document was included with the audit committee materials. Ms. Kinsella conveyed she is still reviewing the self-assessment and updating the information on the working document. Ms. Kinsella felt she would have it completed by the November audit committee meeting for discussion.
- F. Audit Committee Manual and Information – Due to the recently conducted board elections, the audit committee has a new member. Ms. Kinsella put together an Audit Committee Manual that would include various information of interest to the audit committee to help them learn more about the audit committee, their function, and the Internal Audit Division. The manual was provided to the audit committee members.
- G. Special Projects – Ms. Kinsella indicated in June she met with Ms. Sharon Schiermeister to discuss the various projects or procedures that have not been completed due to time constraints. As a result, some of these may become issues with the external auditors. Ms. Kinsella conveyed that the Internal Audit division may be able to assist in completing some of the major projects. Ms. Schiermeister compiled a list of important projects. Ms. Kinsella then determined what projects could be completed by Internal Audit division without compromising their independence or without having a detrimental impact on the audit plan. Once it was determined what projects Internal Audit would assist with, Ms. Kinsella sent an email to the Audit Committee Chair and the Executive Director in July notifying them of the special projects Internal Audit would be undertaking. Ms. Kinsella pointed out in the future, if there is a significant change to the Internal Audit Division's work plan, the audit committee and the Executive Director would be notified.

IV. Miscellaneous

- A. November 2004 Audit Committee Meeting Date and Time – The November 2004 audit committee meeting is scheduled for Wednesday, November 10, 2004 at 10:30am in the NDPERS Conference room, Wells Fargo Bank Building. However, the meeting may need to be changed to a later date in November. Discussion followed. The meeting was rescheduled to Wednesday, November 17, 2004 at 10:30am in the NDPERS Conference room.
- B. Eide Bailly Update – Eide Bailly LLP worked in the NDPERS office the week of June 14 through June 18 for their preliminary audit. The auditors will return August 23 to conduct their fieldwork and plan to have the preliminary financial reports drafted and waiting for actuarial information by September 3.

- C. IIA Central NoDak Chapter Newsletter – Ms. Kinsella indicated she volunteered to take over the IIA Central NoDak Chapter monthly newsletter.

The meeting adjourned at 11:15 a.m.